

# State Health Insurance Portability Rules

This plan was developed to provide a balance of various factors:

- **Flexibility** – allowing each school district authority to do “what’s best for the district”.
- **Consistency** – knowing procedures exist and will be followed by other school districts so a transferring PSE can be set up for payroll at the beginning of the new school year.
- **Opportunity** – allowing a PSE to transfer between Arkansas school districts without breaking coverage of health insurance.
- **Openness** – providing a PSE transferring to another school district an incentive to disclose the transfer honestly without fear of extra COBRA costs or loss of coverage.

## **Definitions**

- ***APSCN*** – Arkansas Public School Computer Network, which is the current financial software used by school districts. APSCN also goes by the names of “eFinance” and “Pentamation”, but for this document, we will use the term APSCN.
- ***Break in Coverage*** – This is the phrase that represents the termination of health insurance for a given PSE. The PSE may be able to rejoin his/her health insurance plan, but the deductibles, and other calculations in the plan are reset.
- ***COBRA*** – Consolidated Omnibus Budget Reconciliation Act – Law allowing employees to maintain his/her current health insurance after the separation of employment from the employer. This is done by paying the full cost of the health insurance plan (employee’s share plus employer’s share) directly to the health insurance provider.
- ***EBD*** – Employee Benefits Division, which administrates the various plan of health insurance available to Arkansas State Employees (ASE) and PSEs. EBD also goes by the name of ARBenefits.
- ***PSE*** – Public School Employee, which represents all school district employees, categorized as licensed and classified.

## **Background**

- All school districts have a fiscal year that runs from July 1<sup>st</sup> to June 30<sup>th</sup>.
- A typical teacher signs a contract with a start date in August and an end date in May.
- Payroll dates are set by each school district. Some pay monthly on a set day of the month. Still others pay semi-monthly or even bi-weekly. For simplicity, the term monthly may be used regarding payroll processing.
- School districts pay employment contracts in 12 (monthly) equal payments that begin **after** the first day of the contract.
- The equal monthly payment, combined with the delayed first payment, necessitates the need for multiple payments to be released on June 30<sup>th</sup> called “payoff checks”. This allows for all contracts to be paid in full by the end of the fiscal year.
- Each school district will recognize a specific date that payoff checks need to be “locked and loaded” into the payroll system to be released properly and timely.
- Arkansas law recognizes a PSE is considered to be under contract for the next school/fiscal year unless proper and timely notification is given. Unless properly

notified, the PSE is considered to be a school district employee during the period of time from the last day of one contract to the first day of the subsequent contract.

EBD's interpretation of current state law allows schools to withhold a given months health insurance premium from a PSE's paycheck either "in advance" or in the "current month". For example, an "in advance district" will withhold September premiums from August PSE paychecks, while a "current month district" will withhold the same September premium from September PSE paychecks. Either method is acceptable and is decided at the individual school district level.

Every school district has the autonomy to set a multitude of contract lengths, start dates and end dates. These differences are available across school districts and internally within your school district. For this document, a typical 190-day contract for a classroom teacher will be named a "190-day contract". For a typical school administrator that works a full twelve months, the term "12 month contract" will be used. These terms and examples are just that – examples. They represent the variety of licensed and classified employees you work with every day.

For payroll purposes, the typical "190-day contract" covers nine months of employment, yet payments of these same contracts are made in twelve equal monthly installments. Therefore, if the first payment is paid in August, the final payment should be paid in July. However, this July paycheck is actually released on June 30<sup>th</sup> to close the books of the fiscal year.

## **Rules**

The actual rules below are written in a structured format to allow for easier transition into formal adoption by EBD and/or ADE.

- 1) If any public school employee (PSE), licensed or classified, completes his or her contract and accepts employment in another Arkansas public school district, the following rules apply:
- 2) The former district will offer health insurance coverage and pay the district's portion for the months of July and August with the following conditions:
  - a) The PSE gives "adequate notice" to the former district.
  - b) The PSE pays his or her share of the health insurance premium by an "insurance premium collection deadline" established by the school district.
- 3) The former district must pay the same amount of district portion for July and August that was established for all district employees in the previous school year.
- 4) The former district may establish policies to confirm the employment of the PSE to a new Arkansas school district. This confirmation should be completed before the above payments are made to EBD.
- 5) The new district will make the PSE eligible for coverage effective September 1<sup>st</sup>, at the latest.

“Adequate notice” should be defined in written policy by every school district. The date cannot be set before the PSE’s last day of work. *Recommended: Districts should set this date in relation to the date health insurance premiums are withheld (“in advance” v. “current month” district).*

“Insurance premium collection deadline” should be defined in written policy by every school district. The date must be set to allow a reasonable amount of time for collection from the PSE but still allow the district to make a timely payment for health insurance premiums to EBD. *Recommended: Districts should set this date as the 15<sup>th</sup> of each month that the insurance premium is due.*

*The rules above provide the following benefits to school districts:*

- Provides a standard operating procedure regarding insurance coverage for PSEs transferring between school districts.
- Prevents inconsistent or discriminatory treatments of PSEs.
  - Terms of coverage cannot be based upon dates that district payroll is run.
  - Terms of coverage cannot be based upon subjectivity or the “likability” of a PSE.
- Costs of extending coverage for two months for a terminated PSE will be offset, in part, by savings of health insurance costs for PSEs transferring from another school district.
- Recruiting PSEs will be enhanced if PSEs from other districts can apply and not be burdened with the cost of large COBRA payments over the summer (or worse, a break in coverage if the COBRA payment was too high).
- PSEs hired by another district are incentivized to provide earlier resignation notices to ensure he or she qualifies for health insurance coverage for July and August.

*The rules provide the following benefits to PSEs:*

- Unless purposely desired, there is no break in health insurance coverage.
- There is no large COBRA payment to be made by the PSE to avoid a break in coverage.
- With no break in coverage, deductibles and out-of-pocket maximums are not reset.
- There would be a consistent and easily understood procedure for PSEs making career decisions.

*The rules provide the following burdens to school districts:*

- At times, school districts may have some increased cost by covering transferring PSEs.
- For PSEs on a 12-month contract, school districts may have some increased cost by paying both July and August district premiums for the transferring PSE.
- At times, school districts may have to collect the PSE’s portion of health insurance premiums for July and/or August that cannot be withheld from the PSE’s paycheck.
- At times, school districts may have to spend more time keying APSCN codes, initiating tasks to EBD and working with transferring PSEs during a busy time of the fiscal year.

*The rules provide the following burdens to PSEs:*

- None

## **Options to PSEs**

If the PSE desires a break in coverage, he or she can choose not to **remit payment** for the July or August health insurance to the school district.

However, if the payment is withheld from his or her payroll, the PSE cannot stop the former district's payroll from withholding health insurance premiums for July or August. For the former district, **this is not a qualifying event** that allows insurance to be changed.

## **Specific Procedures in APSCN**

### **EBD TERM DATE**

The PSE can make the payment for his/her health insurance for July and August two ways:

- 1) The payment is withheld from the PSE's payroll (payoff checks released in June or final termination paychecks in July/August).
- 2) The payment is collected from the PSE with a check or in cash.

The last month of health insurance available for a PSE (assuming the PSE makes all required health insurance payments) is August. **Therefore, August 31<sup>st</sup> should be considered the "EBD TERM DATE" for the transferring PSE.** EBD no longer pulls the EBD Term Date from APSCN. Instead, HIRs need to terminate a transferring employee using the ARBenefits system. HIRs will be able to select "Transfer" as the reason for termination in ARBenefits.

**Please note that this EBD TERM DATE is not necessarily the final day of the contract of the PSE.** The final day of the contract for the PSE is considered the "termination date" and is keyed into APSCN as "Last Date Worked" in the "Employee Information Screen" under the "Terminate" button.

This "terminate" button procedure should not be done until after the EBD TERM DATE has been keyed. In fact, EBD recommends that school districts avoid actually performing the "terminate" button procedure on the same day the "EBD TERM DATE" is keyed. The technical reasons are beyond the scope of this document.

### **Hire Date**

**For the school district hiring the transferring PSE, the hire date in APSCN should continue to be listed as the first date of employment in the district.**

### **EBD Invoice**

If the PSE is required to make a payment outside the scope of a payroll withholding, the following procedures should be followed to ensure the correct "premium assistance" (FICA savings payment) is listed on the EBD invoice:

The school district opens a TASK in EBD to change the PSE from OEB1 (cafeteria deduction) to OEB2 (non-cafeteria deduction).

In APSCN, the school district changes the PSE OEB1 code to “inactive” and adds the OEB2 code. Listing the amount collected by the PSE as the “deduction amount”.

This procedure is important to follow for every transferring PSE. EBD does not change the district’s invoice solely on the change made in APSCN. EBD needs a TASK to manually make the change (already made in APSCN) on the invoice.

### **Executive Summary**

To allow PSEs to transfer from one Arkansas school district to another school district without a break in coverage or large COBRA payment, school districts will be required to withhold health insurance premiums to remit to EBD for July and August. School districts will be required to pay the district portion of health insurance for these months and may have to collect the PSE portion from the PSE directly if the full amounts are not withheld from paychecks. This rule only applies to PSE that fulfill the district’s contract in full and give adequate notice of transfer.

### **Examples**

The following examples are provided to demonstrate the rules and protocols.

#### **Example #1**

*Mr. Holland is a music teacher for Kennedy Schools. He gave notice on June 4, 2017 after his 190-day contract had been fulfilled. He has accepted a position at Lincoln Schools for the 2017-2018 school year.*

*Kennedy Schools has a written policy stating that if notice of transfer to another school district is given by June 15<sup>th</sup> and subsequently confirmed, July and August health insurance premiums will be withheld from the PSE’s payoff checks. Kennedy’s business manager, Ms. Jacobs, reviews the contract and verifies that his contract ended May 29, 2017 and that his final payoff check held out “Premium – Employee Only” health insurance premiums for **July and August, 2017**. Kennedy Schools will accrue the July and August district portion to be paid to EBD in July and August. Kennedy Schools is a “current month” district.*

*Ms. Jacobs terms Mr. Holland in the ARBenefits system and selects Transfer as the reason. The HIR for Lincoln Schools submits the Transfer In form to EBD for Mr. Holland. Mr. Holland continues his enrollment in the Premium – Employee Only Plan with Lincoln Schools effective September, 2017. He has no break in coverage, so deductibles and maximum out-of-pocket limits continue.*

### **Example #2**

*Mr. Keating is an English teacher for Welton Schools. He gave notice of termination on July 10, 2017 after his 190-day contract had been fulfilled. All of his 2016-17 payoff checks had been released. He has accepted a position at Baird Schools for the 2017-2018 school year.*

*Welton's business manager, Ms. Nolan, reviews the contract and verifies that his contract ended May 29, 2017 and that his final payoff check held out "Basic – Family" health insurance for only **July**, 2075. Welton Schools is an "in advance" district.*

*Welton Schools sends Mr. Keating a letter dated July 15, 2017 indicating that Mr. Keating must remit his portion of the "Basic – Family" health insurance for August, 2017. The letter follows the written policy of Welton Schools and requires Mr. Keating's payment by August 15, 2017. Mr. Keating's payment is received by the established deadline. Welton Schools has paid the July premium (withheld in June) in July and will pay the August premium (collected in July).*

*Mr. Keating continues his enrollment in the Basic – Employee Only Plan with Baird Schools effective September, 2017. He has no break in coverage, so deductibles and maximum out-of-pocket limits continue.*

### **Example #3**

*Dr. Jones is the Curriculum Director at Marshall Schools. He gave notice of termination to be effective June 30, 2017 (at the end of his 12 month contract). His notice was received on June 20, 2017, before his 2016-17 pay off check had been released. He has accepted a position with Barnett Schools effective July 1, 2017. Marshall Schools is an "in advance" district.*

*Marshall's business manager, Mr. Brody, reviews his contract. In accordance with Marshall's written policy, Dr. Jones' **July and August**, 2017 "Basic – Employee plus Children" health insurance plan is withheld from his payoff checks. Marshall Schools will accrue the July and August district portion to be paid to EBD in July and August.*

*Dr. Jones begins his Barnett Schools contract on July 1, 2017. His August premium was paid by Marshall Schools, so he will have premiums withheld at Barnett Schools starting with his September, 2017 premium in his September, 2017 paycheck. Barnett Schools is a "current month" district, so Dr. Jones had no health insurance premiums withheld from his July or August paychecks.*

### **Example #4**

*Coach Dale is a basketball coach for Hickory Schools. He gave notice of termination on March 15, 2017 and will get a final pay check from the school district on March 31, 2017. He has accepted a position with Milan Schools effective April 1, 2017. Hickory's business manager, Ms. Fleener, reviews his last pay check and determines that this final pay check held out health insurance for **March**, 2017. Hickory Schools is a "current month" district.*

*Coach Dale did not complete his contract in full. Therefore, no April, 2017 health insurance is required to be withheld or paid by Hickory Schools. His EBD Term date is March 31, 2017. He is not eligible for health insurance at Milan Schools until May 1, 2017. Coach Dale must make a COBRA payment to EBD if he desires to continue his health insurance with no break in coverage.*